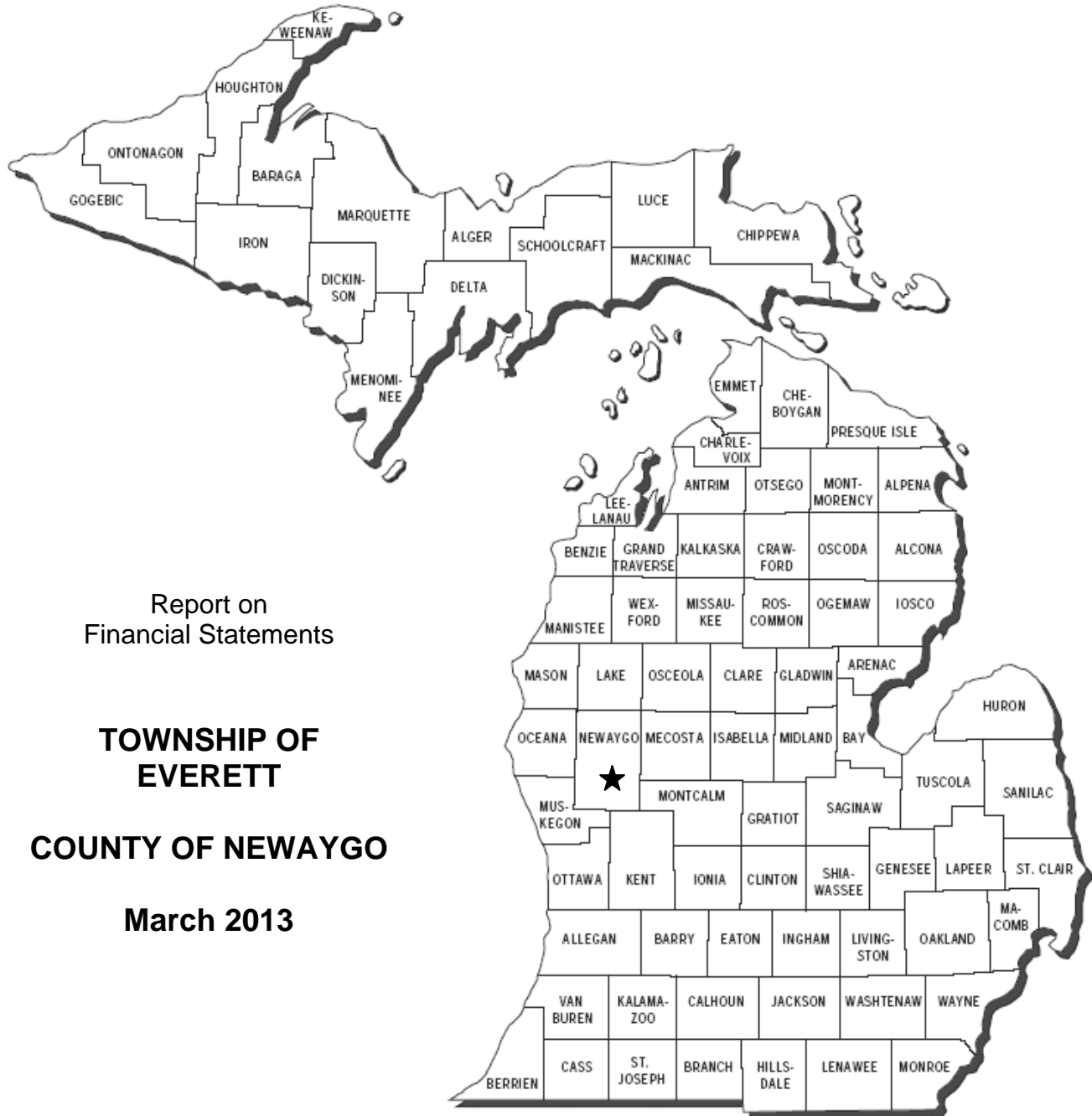


STATE OF MICHIGAN

Rick Snyder, Governor

DEPARTMENT OF TREASURY

Andy Dillon, State Treasurer



Report on
Financial Statements

**TOWNSHIP OF
EVERETT**

COUNTY OF NEWAYGO

March 2013

Local Audit and Finance Division
Bureau of Local Government Services

EVERETT TOWNSHIP--NEWAYGO COUNTY

TOWNSHIP BOARD

Judy Maike
Supervisor

Roshelle Wright
Clerk

Gloria Reyes
Treasurer

Curtis Chaffee
Trustee

Don Clary
Trustee

TOWNSHIP POPULATION--2010
1,862

STATE EQUALIZED VALUATION--2012
\$49,870,900



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ANDY DILLON
STATE TREASURER

September 26, 2013

Everett Township Board
P.O. Box 979
White Cloud, Michigan 49349

Independent Auditor's Report

Dear Board Members:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Everett Township, Newaygo County, Michigan, as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise Everett Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Everett Township, Newaygo County, Michigan, as of March 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 6 and budgetary comparison information Exhibits G through I be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Everett Township's basic financial statements. The accompanying supplementary and related information presented in Exhibits J through M, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary and related information presented in Exhibits J through M is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary and related information presented in Exhibits J through M is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2013, on our consideration of Everett Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Everett Township's internal control over financial reporting and compliance.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

EVERETT TOWNSHIP--NEWAYGO COUNTY

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS	1

BASIC FINANCIAL STATEMENTS

EXHIBIT A--Government-Wide Statement of Net Position.....	7
EXHIBIT B--Government-Wide Statement of Activities	8
EXHIBIT C--Balance Sheet--Governmental Funds and Reconciliation to Statement of Net Position.....	9
EXHIBIT D--Statement of Revenues, Expenditures and Changes in Fund Balances--Governmental Funds and Reconciliation to Statement of Activities	10
EXHIBIT E--Statement of Net Position--Fiduciary Funds	11
EXHIBIT F--Statement of Changes in Plan Net Position--Fiduciary Fund	12
NOTES TO FINANCIAL STATEMENTS.....	13

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G--Budgetary Comparison Schedule--General Fund.....	25
EXHIBIT H--Budgetary Comparison Schedule--Municipal Street Fund Major Special Revenue Fund.....	26
EXHIBIT I--Budgetary Comparison Schedule--Fire Fund Major Special Revenue Fund.....	27

SUPPLEMENTARY INFORMATION AND SCHEDULES

EXHIBIT J--Combining Balance Sheet--Non-Major Governmental Funds	28
EXHIBIT K--Combining Statement of Revenues, Expenditures, and Changes in Fund Balances--Non-Major Governmental Funds	29
EXHIBIT L--Schedule of Revenues--Budget and Actual General Fund	30
EXHIBIT M--Schedule of Expenditures and Other Financing Sources Budget and Actual--General Fund	31

EVERETT TOWNSHIP--NEWAYGO COUNTY

TABLE OF CONTENTS
(CONTINUED)

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	32
Report to Those Charged With Governance	34
Schedule of Findings and Responses	37

EVERETT TOWNSHIP--NEWAYGO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2013

Our discussion and analysis of Everett Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2013.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. This report also contains supplementary information in addition to the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities on Exhibit A and B provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start with Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Township as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net position and changes in them. You can think of the Township's net position — the difference between assets and liabilities — as one way to measure the Township's financial health, or financial position. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Township's property tax base and the condition of Township's infrastructure, to assess the overall health of the Township.

In the Statement of Net Position and the Statement of Activities, the Township presents Governmental activities. All of the Township's basic services are reported here, including the fire, public works, and general administration. Property taxes, special assessments, franchise fees, and state grants finance most of these activities.

EVERETT TOWNSHIP--NEWAYGO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2013

Report the Township's Major Fund

Fund Financial Statements

Our analysis of the Township's major funds begins with Exhibit C and D with additional information provided in Note A of the Notes to the Financial Statements. The special revenue funds are required to be established by State law such as Municipal Street Fund and Fire Fund. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The fund financial statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements as Exhibit C and D.

Additional Required Supplementary Information (RSI)

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules.

The Township as a Whole

The Township's combined net position decreased from \$618,891 to \$521,196 or (\$97,695) for the year ended March 31, 2013. This is contrary to the previous audit year when the net position increased \$50,468. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's governmental activities.

EVERETT TOWNSHIP--NEWAYGO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2013

Table 1
Net Position of Governmental Activities

	3/31/11 Governmental Activities	3/31/13 Governmental Activities	Variance
Current and Other Assets	\$ 503,793	\$ 363,310	\$ (140,483)
Net Capital Assets	<u>146,331</u>	<u>176,946</u>	<u>30,615</u>
Total Assets	<u>650,124</u>	<u>540,256</u>	<u>(109,868)</u>
Current Liabilities	<u>31,233</u>	<u>19,060</u>	<u>(12,173)</u>
Total Liabilities	<u>31,233</u>	<u>19,060</u>	<u>(12,173)</u>
Net Position			
Net Investment in Capital Assets	146,331	176,946	30,615
Restricted	317,670	298,731	(18,939)
Unrestricted	<u>154,890</u>	<u>45,519</u>	<u>(109,371)</u>
Total Net Position	<u><u>\$ 618,891</u></u>	<u><u>\$ 521,196</u></u>	<u><u>\$ (97,695)</u></u>

Governmental Activities

Over-all net position of the Township's governmental activities decreased by 15.8% or \$97,695 (\$618,891 compared to \$521,196). There was an increase of \$30,615 in the net investment in capital assets due to the addition to the Township Hall. The decrease in the restricted net position (\$18,939) is the result of the road projects completed in the Township. The unrestricted net position decreased by (\$109,371) due to the funding of addition to the Township Hall, cost incurred for reassessing all properties within the Township, and increased costs to run the Township's transfer station.

EVERETT TOWNSHIP--NEWAYGO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2013

Table 2
Changes in Net Position of Governmental Activities

	2011	2013	Difference
Program Revenue			
Charges for Services	\$ 27,592	\$ 24,588	\$ (3,004)
Operating Grants and Contributions	2,900	2,772	(128)
General Revenue			
Property Taxes	230,866	226,782	(4,084)
State-Shared Revenues	128,681	135,242	6,561
Unrestricted Investment Earnings	1,905	1,006	(899)
Rents		6,750	6,750
Franchise Fees		346	346
Other	5,374	5,362	(12)
Total Revenue	397,318	402,848	5,530
Program Expenses			
General Government	144,724	153,349	8,625
Public Safety	68,196	73,650	5,454
Public Works	71,188	132,666	61,478
Community and Economic Development	11,724	11,959	235
Other	5,641	25,161	19,520
Total Expenses	301,473	396,785	95,312
Change in Net Position	95,845	6,063	(89,782)
Ending Net Position	\$ 618,891	\$ 521,196	\$ (97,695)

THE TOWNSHIP'S FUNDS

As the Township completed the fiscal year, its governmental funds (as presented in the balance sheet on Exhibit C) reported a fund balance of \$344,250 which is less than last audit year's \$472,560. The primary reasons for the governmental funds' decrease mirror the governmental activities analysis highlighted in the prior paragraph. The Township's major funds included the General Fund, Municipal Street Fund, and the Fire Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government and public works activities. These services are supported by the operating millage and State-shared revenues. The Municipal Street Fund accounts for the extra voted millage received to fund road projects. The Fire Fund accounts for the extra voted millage received to provide fire department services for the Township.

EVERETT TOWNSHIP--NEWAYGO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2013

GENERAL FUND BUDGETARY HIGHLIGHT

Over the course of the year, the Township Board reviewed the budget to take into account events during the year. No changes were made to the Township's budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of March 31, 2013, the Township had \$176,946 invested in a broad range of capital assets, including land, land improvements, buildings, and equipment. This amount represents a net increase (including additions and deductions) of \$30,615.

Table 3
Capital Assets at Year-End

	<u>3/31/11</u>	<u>3/31/13</u>
Capital Assets Not Being Depreciated		
Land and Improvements	\$ 102,772	\$ 63,500
Subtotal	<u>102,772</u>	<u>63,500</u>
Capital Assets Being Depreciated		
Land Improvements		33,733
Buildings and Improvements	78,841	154,883
Equipment	<u>25,532</u>	<u>20,175</u>
Subtotal	<u>104,373</u>	<u>208,791</u>
Total Capital Assets	207,145	272,291
Total Accumulated Depreciation	<u>(60,814)</u>	<u>(95,345)</u>
Total Net Capital Assets	<u>\$ 146,331</u>	<u>\$ 176,946</u>

The primary capital asset addition was the \$76,042 for the new addition to the Township Hall. The Township's fiscal-year 2013-2014 capital budget does not call for any more capital additions. More detailed information about the Township's capital assets is presented in Note E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Township's budget for 2013/2014 will stay primarily the same for the General Fund as the Township expects revenues to remain constant. The Municipal Street fund will also stay consistent as the Township continues to focus on road projects.

EVERETT TOWNSHIP--NEWAYGO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2013

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk's Office at 1516 East 8th Street, P.O. Box 979, White Cloud, Michigan 49349.

EVERETT TOWNSHIP--NEWAYGO COUNTY
GOVERNMENT-WIDE STATEMENT OF NET POSITION
March 31, 2013

EXHIBIT A

<u>ASSETS</u>	<u>Governmental Activities</u>
Current Assets	
Cash and Cash Equivalents	\$ 312,583
Receivables	
Delinquent Taxes Receivable	28,387
Accounts	550
Due From State	20,880
Due From Other Units of Government	910
	<hr/>
Total Current Assets	363,310
	<hr/>
Noncurrent Assets	
Capital Assets--Nondepreciating	63,500
Capital Assets--Net of Accumulated Depreciation	113,446
	<hr/>
Total Noncurrent Assets	176,946
	<hr/>
Total Assets	540,256
	<hr/>
<u>LIABILITIES AND NET POSITION</u>	
Current Liabilities	
Accounts Payable	9,480
Due to Other Units of Government	8,929
Accrued Liabilities	651
	<hr/>
Total Liabilities	19,060
	<hr/>
Net Position	
Investment in Capital Assets	176,946
Restricted for	
Municipal Street	297,029
Nonmajor Special Revenue	1,702
Unrestricted	45,519
	<hr/>
Total Net Position	\$ 521,196
	<hr/>

The Notes to Financial Statements are an integral part of this statement.

EVERETT TOWNSHIP--NEWAYGO COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended March 31, 2013

EXHIBIT B

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE)</u> <u>REVENUE AND</u> <u>CHANGES IN</u> <u>NET POSITION</u>
	<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Total</u>
Primary Government				
Governmental Activities				
General Government	\$ 153,349	\$ -	\$ -	\$ (153,349)
Public Safety	73,650	9,804	-	(63,846)
Public Works	132,666	13,684	2,772	(116,210)
Community and Economic Development	11,959	1,100	-	(10,859)
Other	25,161	-	-	(25,161)
Total Governmental Activities	<u>\$ 396,785</u>	<u>\$ 24,588</u>	<u>\$ 2,772</u>	<u>\$ (369,425)</u>
General Revenues				
Property Taxes				\$ 226,782
State-Shared Revenues				135,242
Unrestricted Investment Earnings				1,006
Rents				6,750
Franchise Fees				346
Other				5,362
Total General Revenues				<u>375,488</u>
Change in Net Position				6,063
Net Position--Beginning				<u>515,133</u>
Net Position--Ending				<u>\$ 521,196</u>

The Notes to Financial Statements are an integral part of this statement.

EVERETT TOWNSHIP--NEWAYGO COUNTY
BALANCE SHEET-- GOVERNMENTAL FUNDS AND
RECONCILIATION TO STATEMENT OF NET POSITION
March 31, 2013

EXHIBIT C

	General	Municipal Street	Fire	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Current Assets					
Cash and Cash Equivalents	\$ 29,161	\$ 281,720	\$ -	\$ 1,702	\$ 312,583
Receivables					
Delinquent Taxes Receivable	4,149	15,309	7,654	1,275	28,387
Accounts	550	-	-	-	550
Due From State	20,880	-	-	-	20,880
Due From Other Units of Government	910	-	-	-	910
Total Assets	<u>\$ 55,650</u>	<u>\$ 297,029</u>	<u>\$ 7,654</u>	<u>\$ 2,977</u>	<u>\$ 363,310</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Current Liabilities					
Accounts Payable	\$ 9,480	\$ -	\$ -	\$ -	\$ 9,480
Due to Other Units of Government	-	-	7,654	1,275	8,929
Accrued Liabilities	651	-	-	-	651
Total Liabilities	<u>10,131</u>	<u>-</u>	<u>7,654</u>	<u>1,275</u>	<u>19,060</u>
Fund Balances					
Restricted for					
Municipal Street Fund	-	297,029	-	-	297,029
Building Fund	-	-	-	1,702	1,702
Assigned	8,940	-	-	-	8,940
Unassigned	36,579	-	-	-	36,579
Total Fund Balance	<u>45,519</u>	<u>297,029</u>	<u>-</u>	<u>1,702</u>	<u>344,250</u>
Total Liabilities and Fund Balance	<u>\$ 55,650</u>	<u>\$ 297,029</u>	<u>\$ 7,654</u>	<u>\$ 2,977</u>	<u>\$ 363,310</u>
Fund Balances-Total Governmental Funds					\$ 344,250
Amounts reported for governmental activities in the Statement of Net Position are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds.					<u>176,946</u>
Net Position of Governmental Activities					<u>\$ 521,196</u>

The Notes to Financial Statements are an integral part of this statement.

**EVERETT TOWNSHIP--NEWAYGO COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS
AND RECONCILIATION TO STATEMENT OF ACTIVITIES
For the Fiscal Year Ended March 31, 2013**

EXHIBIT D

	General	Municipal Street	Fire	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and Penalties	\$ 34,604	\$ 121,354	\$ 60,711	\$ 10,113	\$ 226,782
Licenses and Permits	1,121	-	-	9,184	10,305
State Grants	135,242	2,719	-	-	137,961
Charges for Services	14,009	-	-	-	14,009
Fines and Forfeits	620	-	-	-	620
Interest and Rentals	7,756	53	-	-	7,809
Other Revenue	5,362	-	-	-	5,362
Total Revenues	198,714	124,126	60,711	19,297	402,848
Expenditures					
General Government	138,285	-	-	10,113	148,398
Public Safety	4,035	-	60,711	8,904	73,650
Public Works	35,233	97,000	-	-	132,233
Community and Economic Development	11,959	-	-	-	11,959
Other	25,161	-	-	-	25,161
Capital Outlay	27,257	-	-	-	27,257
Total Expenditures	241,930	97,000	60,711	19,017	418,658
Excess of Revenues Over (Under) Expenditures	(43,216)	27,126	-	280	(15,810)
Fund Balance--April 1, 2012	88,735	269,903	-	1,422	360,060
Fund Balance--March 31, 2013	<u>\$ 45,519</u>	<u>\$ 297,029</u>	<u>\$ -</u>	<u>\$ 1,702</u>	<u>\$ 344,250</u>
Excess of Revenue Over (Under) Expenditures					\$ (15,810)
Amounts reported for governmental activities in the Statement of Activities are different because:					
Governmental funds report capital outlays as expenditures in the Statement of Activities, sales or disposals of capital assets are recorded as general revenue in the Statement of Activities, and the costs of capital assets are allocated over their estimated useful lives as depreciation.					21,873
Change in Net Position of Governmental Activities					<u>\$ 6,063</u>

The Notes to Financial Statements are an integral part of this statement.

EVERETT TOWNSHIP--NEWAYGO COUNTY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
March 31, 2013

EXHIBIT E

	<u>AGENCY FUNDS</u>	<u>PENSION TRUST</u>
<u>ASSETS</u>		
Cash	\$ 11,265	\$ 26,370
Total Assets	<u>\$ 11,265</u>	<u>\$ 26,370</u>
<u>LIABILITIES</u>		
Liabilities		
Undistributed Taxes	\$ 11,265	\$ -
Total Liabilities	<u>\$ 11,265</u>	<u>-</u>
<u>NET POSITION</u>		
Held in Trust for Pension Benefits		<u>\$ 26,370</u>

The Notes to the Financial Statements are an integral part of this statement.

EVERETT TOWNSHIP--NEWAYGO COUNTY
STATEMENT OF CHANGES IN PLAN NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended March 31, 2013

EXHIBIT F

	Pension Trust
Additions	
Contributions	
Employer	\$ -
Total Contributions	-
Investment Income	
Interest	72
Net Investment Income (Loss)	72
Total Additions	72
Deductions	
Benefit Payments	7,000
Total Deductions	7,000
Change in Net Position	(6,928)
Net Position Restricted for Pension Benefits	
Beginning of Year	33,298
End of Year	\$ 26,370

The Notes to Financial Statements are an integral part of this statement.

EVERETT TOWNSHIP--NEWAYGO COUNTY

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended March 31, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Everett Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

Reporting Entity

The Township is located in Newaygo County, Michigan, and provides services to its residents in many areas including fire protection, community enrichment and development and human services. The Township is a general law township governed by a five-member board elected by the citizens of the Township. The Township Board consists of the supervisor, clerk, treasurer and two trustees.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," these financial statements present the Township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. There are no other units that should be included in the financial statements.

The following entities are not included in the Township's financial statements but do represent an ongoing financial interest or responsibility:

Joint Venture

White Cloud Area Fire Department

Everett Township, in conjunction with four other local units of government (Sherman Township, Wilcox Township, Lincoln Township, and the City of White Cloud) has entered into an agreement to create the White Cloud Area Fire Department to provide fire protection services. The joint fire administrative board is composed of 11 members, of whom each unit appoints two members and the one additional "at-large" member is selected by a majority of the other members. The joint fire administrative board prepares an annual operating budget, which is approved by a simple majority and submitted to the participating municipalities for appropriation. If there is a deficit and the budget stabilization fund is exhausted, each participating municipality will be requested to make an additional voluntary contribution to make up the deficit. Everett Township's financial responsibility is to contribute on an annual basis a sum equal to 1.5 mills of the aggregate taxable value of real and personal property. For the fiscal year ended March 31, 2013, the Township's contribution was \$60,711. A separate audit is conducted on the White Cloud Area Fire Department and can be obtained by writing to 1020 Wilcox Avenue, P.O. Box 911, White Cloud, Michigan 49349.

EVERETT TOWNSHIP--NEWAYGO COUNTY

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended March 31, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Chain of Lakes Area Utility Authority (COLA)--The City of Newaygo and Newaygo County assisted Everett Township, Brooks Township, and Garfield Township in the establishment of the Chain of Lakes Area Utility Authority. Everett Township, Brooks Township, and Garfield Township entered into an agreement in 2002 to establish the Chain of Lakes Area Utility Authority to provide sewer services for the residents living in the Chain of Lakes area. The joint authority's board consists of seven (7) members of whom each Township appoints two (2) members and the County Drain Commissioner serves as a trustee. Newaygo County has issued a 20-year bond in the amount of \$6,915,000 to pay costs of acquiring and constructing the sewer facilities. The bonds are required to be repaid by the authority based on contributions made from each of the Townships. The contributions are based on the percentage of service provided in each Township and are prorated as follows:

Brooks Township -- 30.57%
Everett Township -- 11.51%
Garfield Township -- 57.92%

The Township has levied a special assessment in the amount of \$636,800 divided into 20 equal annual installments over 20 years to pay for its portion of the project. The sewer authority will collect fees from the residents it serves to cover the operational costs. However, if a deficit exists after these charges are collected, each participating municipality will be requested to make an additional contribution based on the above percentages to make up the deficit. A separate audit is conducted for the Chain of Lakes Area Utility Authority and can be obtained by writing to P.O. Box 456, White Cloud, Michigan 49349.

Jointly Governed Organization

Joint Cemetery Board--Everett Township and Big Prairie Township have entered into an agreement to create a joint cemetery board. Both Township Boards are members of the cemetery's board. The Township's financial responsibility is to contribute on an annual basis a sum equal to .25 mills of the aggregate taxable value of taxable real and personal property. Both Townships share equally in the cost of operations. For the fiscal year ended March 31, 2013, the Township's contribution amounted to \$10,113.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

EVERETT TOWNSHIP--NEWAYGO COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

EVERETT TOWNSHIP--NEWAYGO COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Municipal Street Fund accounts for the Township millage revenue which is restricted for the road improvements of the Township.

The Fire Fund accounts for the Township millage revenue which is restricted for the operation of the fire department.

Additionally, the Township reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

Pension Trust Fund--these funds account for assets held on behalf of employees as plan members in the Townships defined contribution plan.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition.

Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year, are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

EVERETT TOWNSHIP--NEWAYGO COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Land Improvements	8 to 10 years
Building and Building Improvements	30 to 40 years
Equipment	5 to 8 years

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Balance Classifications

In the fund financial statements, governmental funds report the following components of fund balance which comprise a hierarchy based on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Restricted Fund Balances

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Everett Township reports the following restricted fund balances.

EVERETT TOWNSHIP--NEWAYGO COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds

- Municipal Street Fund - This fund is used to account for revenues from the extra voted millage levied for road improvements
- Fire Fund - This fund is used to account for revenues from the extra voted millage for the operation of the Fire Department.
- Cemetery Fund - This fund is used to account for revenues from the extra voted millage for the operation of the cemetery.
- Building Fund - This fund is used to account for revenues earmarked by law for building construction code enforcement activities within the Township.

Assigned Fund Balance

Assigned fund balance is an amount that is intended to be used for specific purposes that are neither considered restricted or committed. The \$8,940 assigned fund balance in the General Fund has been assigned by the Board for the Veteran's Memorial to be built with donations received.

Unassigned Fund Balance

Unassigned fund balance is the residual classification for the Township's General Fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by Everett Township's Board.

Everett Township does not have a formal minimum fund balance policy.

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted by the Township Board for the General Fund and Special Revenue Funds after a public hearing is held. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the line item level and control is exercised at the line item level. The Township monitors and amends the budget as necessary. Unexpended appropriations lapse at year end.

EVERETT TOWNSHIP--NEWAYGO COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Excess of Expenditures over Appropriation in Budgeted Funds

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year, the Township incurred expenditures in the General Fund and the special revenue funds, which were in excess of the amounts appropriated, as follows:

<u>Fund, Function and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Township Board	\$ 5,720	\$ 9,633	\$ (3,913)
Supervisor	16,116	17,102	(986)
Clerk	24,575	24,854	(279)
Board of Review	1,305	2,325	(1,020)
Assessor	20,800	21,966	(1,166)
Elections	2,850	4,741	(1,891)
Attorney Fees	1,000	3,631	(2,631)
Cemetery	-	6,707	(6,707)
Other General Services	-	90	(90)
Public Works			
Street Lighting	700	722	(22)
Other			
Insurance and Bonds	6,000	6,822	(822)
Worker's Compensation	900	1,316	(416)
Other	2,000	6,677	(4,677)
Capital Outlay	10,500	27,257	(16,757)
Building Fund			
Public Safety	8,000	8,904	(904)

The Township Board will monitor expenditures in the future to avoid incurring expenditures in excess of the amounts appropriated.

NOTE C--BANK DEPOSITS AND INVESTMENTS

Michigan Compiled Laws (MCL), Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment

EVERETT TOWNSHIP--NEWAYGO COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

NOTE C--BANK DEPOSITS AND INVESTMENTS (Continued)

vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Fund	Total
Cash and Cash Equivalents	\$ 312,583	\$ 11,265	\$ 323,848
Investments	-	26,370	26,370
Total	<u>\$ 312,583</u>	<u>\$ 37,635</u>	<u>\$ 350,218</u>

The breakdown between deposits and investments are as follows:

	Primary Government
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 323,648
Petty Cash and Cash on Hand	200
Investment in Pension Trust Funds	<u>26,370</u>
Total	<u>\$ 350,218</u>

Non-negotiable certificates of deposits that are placed by the depositors directly with financial institutions and that are subject to a penalty if redeemed before maturity are treated as bank deposits. Because nonnegotiable certificates of deposits are deposits, no interest rate risk or credit risk disclosures are required, which are limited to investments.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Township's deposits may not be recovered. Michigan law does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the Township's investment policy would limit, to some extent, exposure to custodial credit risk for deposits. The bank balance of the Township's deposits is \$397,008, of which \$286,715 is covered by Federal depository insurance. The remaining balance of \$110,293 is uncollateralized.

EVERETT TOWNSHIP--NEWAYGO COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2013

NOTE C--BANK DEPOSITS AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Township's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At March 31, 2013, the fair value of the Township's investments is listed above with all maturities due within 12 months or less.

As of March 31, 2013, the Township had \$26,370 in uncategorized investments relating to its pension trust fund.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The mutual funds and pension trust funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

NOTE D--PROPERTY TAXES

Property Taxes

The Township's property tax is levied on each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. It is the Township's policy to recognize revenues in the current year when the proceeds are budgeted and made available for the financing of Township operations. Payment from the county for the 2012 delinquent taxes, which it purchased subsequent to March 31, is recorded as delinquent taxes receivable in the General Fund.

The 2012 taxable value of the Township amounted to \$40,105,705, on which ad valorem taxes of .8132 mills were levied for Township operating purposes; 3.0 mills for street operations; 1.5 mills for fire protection; and .25 mills for cemetery operations. The 2012 tax levy raised \$32,697 for Township operating; \$121,354 for street operations, \$60,711 for fire protection; and \$10,113 for cemetery operations. These taxes are recorded as revenue on Township records in the General Fund and special revenue funds for the fiscal year ended March 31, 2013.

EVERETT TOWNSHIP--NEWAYGO COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2013

NOTE D--PROPERTY TAXES (Continued)

Taxes Receivable--Delinquent

The delinquent taxes receivable in the General Fund and special revenue funds consist of uncollected real property taxes levied December 1, 2012, which have not been collected at March 31, 2013. The delinquent property taxes receivables are as follows: General Fund, \$4,149; Municipal Street Fund, \$15,309; Fire Fund, \$7,654; and Cemetery Fund, \$1,275.

NOTE E--CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	Beginning Balance 4/1/12	Increased	Decreases	Ending Balance 03/31/13
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 63,500	\$ -	\$ -	\$ 63,500
Subtotal	63,500	-	-	63,500
Capital Assets Being Depreciated				
Land Improvements	33,733	-	-	33,733
Buildings and Building Improvements	127,626	27,257	-	154,883
Equipment	20,175	-	-	20,175
Subtotal	181,534	27,257	-	208,791
Less Accumulated Depreciation				
Land Improvements	33,733	-	-	33,733
Buildings and Building Improvements	37,785	5,038	-	42,823
Equipment	18,443	346	-	18,789
Subtotal	89,961	5,384	-	95,345
Net Capital Assets Being Depreciated	91,573	21,873	-	113,446
Governmental Activities Capital Total Capital Assets--Net of Depreciation	<u>\$ 155,073</u>	<u>\$ 21,873</u>	<u>\$ -</u>	<u>\$ 176,946</u>

Depreciation expense for the year was \$5,384.

EVERETT TOWNSHIP--NEWAYGO COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2013

NOTE E--CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government, as follows:

Governmental Activities	
General Government	\$ 4,951
Public Works	<u>433</u>
Total Governmental Activities	<u>\$ 5,384</u>

NOTE F--DEFINED CONTRIBUTION PENSION PLAN

The Township provides an employee retirement plan to the Township Board consisting of supervisor, clerk, treasurer, and two trustees through a defined contribution pension plan. In a defined contribution pension plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township has executed an agreement with John Hancock Financial Services to provide a pension plan known as The John Hancock Financial Defined Contribution Plan for Governmental Employees. Under this plan, the Township contributes 20% of employees' gross earning and the employees are not required to contribute to the plan. Plan provisions and contribution requirements are established and may be amended by the Township Board.

The Township (employer) contributed \$9,480 for plan members during the fiscal year ended March 31, 2013, in accordance with these plan requirements. Contributions actually made by plan members (employee) equal \$-0-. The contribution was made after the fiscal year and is recorded as an accounts payable in the General Fund.

NOTE G--RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, and errors and omissions and employees injuries (workers' compensation). The Township participates in the Michigan Townships' Participating Plan for the following policies: general liability, property, vehicle and fire. The Township has insurance with the Accident Fund Company for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

EVERETT TOWNSHIP--NEWAYGO COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

NOTE H--CHANGE IN ACCOUNTING PRINCIPLE

During the 2012 fiscal year, the Township adopted Government Accounting Standards Board (GASB) statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved have been replaced with five new classifications: non-spendable, restricted, committed, assigned, and unassigned.

During the 2013 fiscal year, the Township adopted Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations.

The Township also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. The statement also provides a new statement of net position format to report all assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position. The statement impacts the format and reporting of the balance sheet at the government-wide level and also the fund level.

The Township also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

**EVERETT TOWNSHIP--NEWAYGO COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended March 31, 2013**

EXHIBIT G

	BUDGETED AMOUNTS			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Taxes and Penalties	\$ 40,800	\$ 40,800	\$ 34,604	\$ (6,196)
Licenses and Permits	1,400	1,400	1,121	(279)
State Grants	136,000	136,000	135,242	(758)
Charges for Services	34,650	34,650	14,009	(20,641)
Fines and Forfeits	-	-	620	620
Interest and Rentals	8,600	8,600	7,756	(844)
Other Revenue	15,500	15,500	5,362	(10,138)
Total Revenues	236,950	236,950	198,714	(38,236)
Expenditures				
General Government	130,891	130,891	138,285	(7,394)
Public Safety	5,800	5,800	4,035	1,765
Public Works	49,040	49,040	35,233	13,807
Community and Economic Development	13,431	13,431	11,959	1,472
Other	20,900	20,900	25,161	(4,261)
Capital Outlay	10,500	10,500	27,257	(16,757)
Total Expenditures	230,562	230,562	241,930	(11,368)
Excess of Revenues Over (Under) Expenditures	6,388	6,388	(43,216)	(49,604)
Other Financing (Uses)				
Operating Transfers (Out)	(15,000)	(15,000)	-	15,000
Total Other Financing (Uses)	(15,000)	(15,000)	-	15,000
Net Change in Fund Balance	(8,612)	(8,612)	(43,216)	(34,604)
Fund Balance--April 1, 2012	88,735	88,735	88,735	-
Fund Balance--March 31, 2013	\$ 80,123	\$ 80,123	\$ 45,519	\$ (34,604)

EVERETT TOWNSHIP--NEWAYGO COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL STREET FUND--MAJOR SPECIAL REVENUE FUND
For the Fiscal Year Ended March 31, 2013

EXHIBIT H

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$ 122,000	\$ 122,000	\$ 121,354	\$ (646)
State Grants	2,500	2,500	2,719	219
Interest and Royalties	350	350	53	(297)
Total Revenues	<u>124,850</u>	<u>124,850</u>	<u>124,126</u>	<u>(724)</u>
Expenditures				
Public Works	<u>125,000</u>	<u>125,000</u>	<u>97,000</u>	<u>28,000</u>
Total Expenditures	<u>125,000</u>	<u>125,000</u>	<u>97,000</u>	<u>28,000</u>
Excess of Revenues Over (Under) Expenditures	<u>(150)</u>	<u>(150)</u>	<u>27,126</u>	<u>27,276</u>
Other Financing Sources				
Transfer In	<u>3,200</u>	<u>3,200</u>	<u>-</u>	<u>(3,200)</u>
Total Other Financing Sources	<u>3,200</u>	<u>3,200</u>	<u>-</u>	<u>(3,200)</u>
Net Change in Fund Balance	3,050	3,050	27,126	24,076
Fund Balance--April 1, 2012	<u>269,903</u>	<u>269,903</u>	<u>269,903</u>	<u>-</u>
Fund Balance--March 31, 2013	<u>\$ 272,953</u>	<u>\$ 272,953</u>	<u>\$ 297,029</u>	<u>\$ 24,076</u>

**EVERETT TOWNSHIP--NEWAYGO COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE FUND--MAJOR SPECIAL REVENUE FUND
For the Fiscal Year Ended March 31, 2013**

EXHIBIT I

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u></u>
Revenues				
Property Taxes	<u>\$ 71,000</u>	<u>\$ 71,000</u>	<u>\$ 60,711</u>	<u>\$ (10,289)</u>
Total Revenues	<u>71,000</u>	<u>71,000</u>	<u>60,711</u>	<u>(10,289)</u>
Expenditures				
Public Safety	<u>71,000</u>	<u>71,000</u>	<u>60,711</u>	<u>10,289</u>
Total Expenditures	<u>71,000</u>	<u>71,000</u>	<u>60,711</u>	<u>10,289</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance--April 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance--March 31, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

EVERETT TOWNSHIP--NEWAYGO COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
March 31, 2013

EXHIBIT J

	SPECIAL REVENUE		
	FUNDS		
	<u>Cemetery</u>	<u>Building</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ -	\$ 1,702	\$ 1,702
Delinquent Taxes Receivable	<u>1,275</u>	<u>-</u>	<u>1,275</u>
Total Assets	<u>\$ 1,275</u>	<u>\$ 1,702</u>	<u>\$ 2,977</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Current Liabilities			
Due to Other Units of Government	<u>\$ 1,275</u>	<u>\$ -</u>	<u>\$ 1,275</u>
Total Liabilities	<u>1,275</u>	<u>-</u>	<u>1,275</u>
Fund Balances			
Restricted	<u>-</u>	<u>1,702</u>	<u>1,702</u>
Total Liabilities and Fund Balance	<u>\$ 1,275</u>	<u>\$ 1,702</u>	<u>\$ 2,977</u>

EVERETT TOWNSHIP--NEWAYGO COUNTY
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended March 31, 2013

EXHIBIT K

	SPECIAL REVENUE FUNDS		
	<u>Cemetery</u>	<u>Building</u>	<u>Total</u>
Revenues			
Property Taxes	\$ 10,113	\$ -	\$ 10,113
Licenses and Permits	-	9,184	9,184
Total Revenues	<u>10,113</u>	<u>9,184</u>	<u>19,297</u>
Expenditures			
General Government	10,113	-	10,113
Public Safety	-	8,904	8,904
Total Expenditures	<u>10,113</u>	<u>8,904</u>	<u>19,017</u>
Excess of Revenues Over (Under)			
Expenditures	-	280	280
Fund Balance--April 1, 2012	<u>-</u>	<u>1,422</u>	<u>1,422</u>
Fund Balance--March 31, 2013	<u>\$ -</u>	<u>\$ 1,702</u>	<u>\$ 1,702</u>

EVERETT TOWNSHIP--NEWAYGO COUNTY
SCHEDULE OF REVENUES
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended March 31, 2013

EXHIBIT L

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>				
Property Taxes				
Current Property Taxes	\$ 33,000	\$ 33,000	\$ 28,548	\$ (4,452)
Delinquent Property Taxes	5,000	5,000	4,149	(851)
National Forest Reserve Tax	2,300	2,300	1,906	(394)
Penalties and Interest	500	500	1	(499)
Total Property Taxes	40,800	40,800	34,604	(6,196)
Licenses and Permits				
Franchise Fees	300	300	346	46
Zoning Permits	1,100	1,100	775	(325)
Total Licenses and Permits	1,400	1,400	1,121	(279)
State Grants				
Revenue Sharing	136,000	136,000	135,242	(758)
Total State Grants	136,000	136,000	135,242	(758)
Charge for Services				
Board of Appeals Fees	300	300	325	25
Building Inspection Fees	1,000	1,000	-	(1,000)
Land Division Fees	300	300	-	(300)
Other	50	50	-	(50)
Transfer Station Fees	33,000	33,000	13,684	(19,316)
Total Charge for Services	34,650	34,650	14,009	(20,641)
Fines and Forfeits				
Fines and Forfeits	-	-	620	620
Total Fines and Forfeits	-	-	620	620
Interest and Rentals				
Interest	1,000	1,000	1,006	6
Rents	7,600	7,600	6,750	(850)
Total Interest and Rentals	8,600	8,600	7,756	(844)
Other Revenue				
Other	15,500	15,500	5,362	(10,138)
Total Other Revenue	15,500	15,500	5,362	(10,138)
Total Revenue	\$ 236,950	\$ 236,950	\$ 198,714	\$ (38,236)

EVERETT TOWNSHIP--NEWAYGO COUNTY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended March 31, 2013

EXHIBIT M

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Township Board	\$ 5,720	\$ 5,720	\$ 9,633	\$ (3,913)
Supervisor	16,116	16,116	17,102	(986)
Clerk	24,575	24,575	24,854	(279)
Audit	7,600	7,600	-	7,600
Data Processing	1,000	1,000	245	755
Board of Review	1,305	1,305	2,325	(1,020)
Treasurer	25,375	25,375	25,025	350
Assessor	20,800	20,800	21,966	(1,166)
Elections	2,850	2,850	4,741	(1,891)
Building and Grounds	24,550	24,550	21,966	2,584
Attorney Fees	1,000	1,000	3,631	(2,631)
Cemetery	-	-	6,707	(6,707)
Other General Services	-	-	90	(90)
Total General Government	130,891	130,891	138,285	(7,394)
Public Safety				
Fire Prevention	5,800	5,800	4,035	1,765
Total Public Safety	5,800	5,800	4,035	1,765
Public Works				
Drain-at-Large Assessments	950	950	14	936
Sewer	1,000	1,000	-	1,000
Street Lighting	700	700	722	(22)
Transfer Station	46,390	46,390	34,497	11,893
Total Public Works	49,040	49,040	35,233	13,807
Community and Economic Development				
Zoning Department	8,146	8,146	7,289	857
Planning Commission	4,810	4,810	4,203	607
Zoning Board of Appeals	475	475	467	8
Total Community and Economic Development	13,431	13,431	11,959	1,472
Other				
Insurance and Bonds	6,000	6,000	6,822	(822)
Pension	12,000	12,000	10,346	1,654
Workers' Compensation	900	900	1,316	(416)
Other	2,000	2,000	6,677	(4,677)
Total Other	20,900	20,900	25,161	(4,261)
Capital Outlay	10,500	10,500	27,257	(16,757)
Total Expenditures	230,562	230,562	241,930	(11,368)
Other Financing (Uses)				
Operating Transfers (Out)	15,000	15,000	-	15,000
Total Other Financing (Uses)	15,000	15,000	-	15,000
Total Expenditures and Other Financing (Uses)	\$ 245,562	\$ 245,562	\$ 241,930	\$ 3,632



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ANDY DILLON
STATE TREASURER

September 26, 2013

Everett Township Board
P.O. Box 979
White Cloud, Michigan 49349

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of the Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Board Members:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Everett Township, Newaygo County, Michigan, as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise Everett Township's basic financial statements, and have issued our report thereon dated September 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Everett Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Everett Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Everett Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified. We consider the deficiency described in the accompanying Schedule of Findings and Responses listed as Findings 2013-1, 2013-2, 2009-1, 2009-2, 2009-5, and 2009-6 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Everett Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as Finding 2009-8.

Everett Township's Responses to Findings

Everett Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Everett Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Everett Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ANDY DILLON
STATE TREASURER

September 26, 2013

Everett Township Board
P.O. Box 979
White Cloud, Michigan 49349

RE: Report to Those Charged With Governance

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Everett Township, Newaygo County, Michigan, as of and for the year ended March 31, 2013, and have issued our report thereon dated September 26, 2013. Professional standards require that we provide you with information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in the engagement letter dated July 15, 2013, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Everett Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Everett Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described in professional standards, is to evaluate the presentation of supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the accounting

principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters August 28, 2013, with management.

Significant Results of the Audit

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Everett Township are described in Note A to the financial statements. As described in Note H to the financial statements, Everett Township changed accounting policies by adopting Government Accounting Standards Board Statement (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to, GASB 61, *The Financial Reporting Entity Omnibus*, GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB 65, *Items Previously Reported as Assets and Liabilities* in the current year. This change in accounting principle had no effect on the Statement of Net Position. We noted no transactions entered into by Everett Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities in the government-wide statements was depreciation.

Management's estimate of the depreciation is based on the straight-line method for all other capital assets. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements, taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 26, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Everett Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Everett Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Everett Township Board and management of Everett Township and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

EVERETT TOWNSHIP--NEWAYGO COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended March 31, 2013

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Township is small in size. Therefore, there is an overall lack of segregation of duties which should be considered when reviewing the material deficiencies and other matters listed below. Segregation of duties require that key duties and responsibilities be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

MATERIAL WEAKNESSES

Material Audit Adjustments

Finding 2013-1

Condition: We identified and proposed numerous material adjustments, which were approved and posted by management, to reconcile the Township's general ledger to the audited balances. These adjustments included the following.

- Payments to vendors had to be reclassified as the payments were made and posted to incorrect funds, affecting the cash and expenditure balances of the funds affected.
- Tax revenue was not properly allocated to the individual funds correctly. In 2013, the first three distributions of the taxes were deposited in the General Fund while the fourth distribution was properly allocated to all funds. This led to an overstatement of cash and revenue in the General Fund and an understatement of cash and revenues in the other funds.
- Expenses were posted against revenue line items, and in some cases causing an overall negative revenue balance.
- Deposits for transfer station fees, Metro Act funds, sewer and cemetery reimbursements were deposited into the wrong funds causing the cash and revenue balances to be misstated in each fund.
- The Recreation Fund was used to record General Fund expenses related to the township hall additions and planning fees for the fire department, despite the fund being discontinued during the 2010 fiscal year.

EVERETT TOWNSHIP--NEWAYGO COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended March 31, 2013

- Accruals (accounts receivable and accounts payable) were not recorded. This affected the revenues and expenditures in all funds and the ability to match revenues to expenditures in the proper fiscal year.
- Withholding accounts were not monitored or balanced. This has caused errors in the expenditures along with errors in filing state and federal forms.

Criteria: Management is responsible for maintaining the Township's accounting records in accordance with generally accepted accounting principles (GAAP).

Effect: As a result of this condition, the Township's accounting records were initially misstated by amounts material to the financial statements.

Cause: The Township did not provide an overall lack of monitoring the financial statements or any independent review.

Recommendation: We recommend that the Township Board provide for appropriate training for its accounting personnel. This will provide management with the necessary skills for reconciling all Township accounts both at year end and throughout the fiscal year. This will result in more accurate and meaningful data to the Township for decision making.

Management's Response: The Township Chart of Accounts have been replaced with updated numbers, reviewed, corrected and dispersed to all departments. Treasurer's account numbers corrected, also deputy clerk and clerk will monitor all coding to expenses and account numbers, along with designated trustee.

Our accounting system vendor has done training with the Township clerk in the past, using Skype as a training session. This will continue to be used as well as on-site training until full knowledge is gained of accruals on expense and revenue sides. Clerk had accounting system vendor do a research to make sure all withholdings were correct.

The Township Clerk takes responsibility for lack of reviewing, monitoring and balancing withholding accounts and will seek proper training through the accounting system training program. Appropriate training for the accounting personnel is a must.

Payroll Withholding Liability Accounts

Finding 2013-2

Condition: The Township is not monitoring the liability accounts used to record the amounts due to the State and Federal governments for payroll withholdings. The Township has also experienced late fees and penalties from the IRS due to the inaccuracy of the amounts withheld and paid to the IRS.

EVERETT TOWNSHIP--NEWAYGO COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended March 31, 2013

Criteria: When payroll is processed, the employees' portion of the State, Federal, and other withholdings are recorded in liability accounts. At the time of payment to the State and IRS, the employees' portion of the taxes and other withholdings due should be removed from the liability line-item reducing the balance of the accounts to zero.

Cause: The balances are not being monitored as no comparison between actual amounts withheld versus the actual amounts paid is being made.

Effect: The liabilities are recorded incorrectly affecting all financial statements, and in some case, creating additional costs to the Township from IRS penalties.

Recommendation: We recommend that the Township begin monitoring the payroll withholding liability line-items to verify the accuracy of the postings and to make certain the accounts are reaching a zero balance after the payments are made.

Management's Response: The clerk and deputy clerk will watch closely over all accounts, including payroll withholding.

Preparation of Financial Statements in Accordance With Generally Accepted Accounting Principles (GAAP)

Finding 2009-1

Condition: As many small and medium-sized governmental entities do, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements, fund financial statements, and notes to financial statements as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered to be a part of the Township's internal controls.

Cause: This condition was caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for Township personnel to prepare them internally.

Effect: The Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this duty.

EVERETT TOWNSHIP--NEWAYGO COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended March 31, 2013

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both: 1) recording, processing and summarizing accounting data (maintaining internal accounting books and records); and 2) reporting government-wide and fund financial statements, including the related notes to financial statements (external financial reporting).

Recommendation: We recommend that the Township Board evaluate the cost versus benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determine if it is in the best interests of the Township to outsource this duty to its external auditors. If the Township continues to rely on its external auditors to prepare the financial statements, we recommend that the board designate a responsible Township official to carefully review the draft financial statements, including the notes, prior to approving them and accepting responsibility for their content and presentation.

Management's Response: It would not be cost effective for the Township to hire staff with GAAP financial qualifications. However, monthly reports of budget versus actual reports will be dispersed for the whole board to review. Coding will be compared to the current chart of accounts. The board will designate a responsible Township official (Clerk) to carefully review the draft financial statements, including the notes, prior to approving them and accepting responsibility for their content and presentation.

Segregation of Incompatible Duties

Finding 2009-2

Condition: As is the case with many organizations of similar size, the Township lacks a sufficient number of accounting personnel to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Events of recent years have resulted in a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitation on the effectiveness of a Township's internal controls carries with it a greater risk of fraud and abuse.

Findings: In our review of Township's operating procedures, we found the following lack of segregation of duties.

EVERETT TOWNSHIP--NEWAYGO COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended March 31, 2013

- Cash Collections and Receipting Process -- The Treasurer is primarily responsible for preparing receipts, preparing deposits, making deposits, investigates any discrepancies related to cash, and reconciling the bank statements.
- Accounts Payable/Disbursements -- The Clerk opens mail related to invoices, posts invoices to the system, edits the vendor master file, investigates discrepancies or issues involving expenditures, prepares the checks, and mails the checks.
- Payroll -- The Clerk is responsible for inputting the payroll, editing the payroll master file, and resolving employee payroll inquiries.

Effect: The Township is exposed to an increased risk that misstatements or misappropriations may occur and not be detected by management on a timely basis.

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Township's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the Township's unique circumstances.

Recommendation: Although it is difficult to balance the costs and benefits of internal controls and the segregation of duties, we nonetheless encourage management to actively seek ways to further strengthen its internal controls by requiring as much independent review, reconciliation and approval of accounting functions by qualified Township personnel as possible.

Management's Response: The Township has analyzed the cost of hiring additional staff and has determined it is not cost effective to hire additional staff. The Township Board as a whole will obtain education, review reports, and receive adequate training, all gaining knowledge of new account numbers, fund numbers, with balancing any discrepancies. The township will look at ways in which to segregate duties, initialing and dating as well as putting procedures in writing.

Accruals

Finding 2009-5

Condition: Accruals (accounts receivable and accounts payable), the recording of the revenues in the accounting period to which they relate, were not recorded. Therefore, the corresponding revenue and expenditure accounts are misstated.

Criteria: Governmental funds are to be maintained on a modified accrual basis. Generally accepted accounting principles also require that accounts receivable and accounts payable be established to properly match the fiscal year's revenues and expenditures.

Cause: Township personnel were unsure of the process of recording the accruals.

Effect: The corresponding revenue and expenditure accounts are not reflective of activity for the period as revenue and expense accounts were understated.

EVERETT TOWNSHIP--NEWAYGO COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended March 31, 2013

Recommendation: We recommend that the Township record accruals. The accruals should be reconciled to subsidiary records to support the balances in the respective general ledger accounts.

Management's Response: Both revenues and expenditures side of accruals will be posted correctly based on continued training and education.

Capital Assets

Finding 2009-6

Condition: The Township does not maintain adequate internal controls for capital assets and a capital asset listing is not maintained in accordance with generally accepted accounting principles.

Criteria: It is the responsibility of the Township to update the capital assets listing for additions and deletions. For the governmental funds, assets purchased during the year and recorded as capital outlay should equal the additions to the capital asset records. Depreciation for governmental capital assets should be recorded on the capital asset schedule. Disposals should equal the reductions to the capital asset records.

Cause: The Township has relied upon its auditors to update and maintain the listing.

Effect: The Township cannot readily determine or value the assets owned by the Township.

Recommendation: We recommend that the Township implement procedures to record the assets and depreciation as listed above.

Management's Response: Everett Township will maintain a capital asset inventory list which will include amounts for depreciation.

STATUTORY NONCOMPLIANCE

Expenditures in Excess of Appropriations

Finding 2009-8

Condition: The Township's 2012/2013 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level by the Township. As detailed below, actual 2012/2013 expenditures exceeded the Township Board's approved budget allocations for several general fund and special revenue fund activities.

EVERETT TOWNSHIP--NEWAYGO COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended March 31, 2013

During the fiscal year ended March 31, 2013, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund and Special Revenue Funds as follows:

<u>Fund, Function and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Township Board	\$ 5,720	\$ 9,633	\$ (3,913)
Supervisor	16,116	17,102	(986)
Clerk	24,575	24,854	(279)
Board of Review	1,305	2,325	(1,020)
Assessor	20,800	21,966	(1,166)
Elections	2,850	4,741	(1,891)
Attorney Fees	1,000	3,631	(2,631)
Cemetery	-	6,707	(6,707)
Other General Services	-	90	(90)
Public Works			
Street Lighting	700	722	(22)
Other			
Insurance and Bonds	6,000	6,822	(822)
Worker's Compensation	900	1,316	(416)
Other	2,000	6,677	(4,677)
Capital Outlay	10,500	27,257	(16,757)
Building Fund			
Public Safety	8,000	8,904	(904)

Criteria: The expenditure of funds in excess of appropriations is contrary to the provisions of Section 17 of Public Act 2 of 1968.

Effect: The Township is in noncompliance with State statute. Unavailable funds continued to be spent despite the lack of budgeted funds to support the expenses.

Directive: We direct that the Township develop budgetary control procedures which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

Management's Response: The full board was made aware of the budget monthly reports, discrepancies to watch for on monthly reports in their meeting packets, being dispersed for review. Budget vs. Actual reports will be dispersed in the Township board's monthly packets for review, as well as amendments to the budget when necessary.